



## **NewHome Construction Program**

### **(REVOLVING LOAN FUND FOR NEW CONSTRUCTION)**

#### **DESCRIPTION**

Effective May 3, 2006, the Iowa Finance Authority (IFA) is pleased to announce the availability of loan funds for qualified entities to construct new single-family homes in Iowa communities. Eligible applicants include non-profit 501(c)(3) organizations, cities or counties, community housing development organizations (CHDOs), economic development corporations, local housing trust funds and public school or community colleges with a trade class apprenticeship program. These groups may apply for and use the funds or they may loan them to local contractors and/or developers. Applicants must demonstrate that they have the necessary skills, experience and capacity to manage the funds. Preference will be given to organizations that further the mission of the Iowa Finance Authority, with special priority given to those applicants serving households at or below 80 percent of the area or statewide median income, whichever is greater. Funds are available on a first come, first served basis until they are exhausted.

#### **PERFORMANCE GOAL**

The goal of this program is to provide a source of funds to local entities for new construction of affordable single-family homes and to increase the capacity of organizations already involved in affordable housing construction. There is no cap on funds available for an applicant that can demonstrate ability to use and to repay the loan. It is reasonable to expect a statewide total of at least 10 units to be completed by May 2007. That number is approximate and will depend on the amount loaned to each applicant.

#### **PURPOSE**

IFA will provide low interest, 3 percent loans to successful applicants.

Applications will be evaluated on the basis of four core competencies:

- 1) Skill and experience in single-family lending
- 2) Skill and experience in managing the distribution of and reporting on use of similar loan funds
- 3) Skill and experience in assisting lower income households in attaining or maintaining home ownership
- 4) The capacity and experience to successfully plan and execute the loan activities in a timely manner

IFA wishes to encourage awareness of the following: 1) life safety issues 2) the use of environmentally friendly building products 3) energy efficiency 4) universal design 5) overall esthetics. Therefore, preference will be given to applicants that can demonstrate these.

IFA wishes to promote homeownership to Iowans at all income levels. Of particular importance are the following: 1) potential borrowers who are at or below 80 percent of the area or statewide median income, whichever is greatest 2) female-headed households 3) immigrants 4) those in underserved geographic areas of the state and 5) persons with a physical or mental disability. IFA will give preference to applications that particularly address the needs of those populations. In an effort to discourage speculative home building, loan applicants are strongly encouraged to have eligible homebuyers available to purchase the homes prior to the completion of any housing units.

As part of the application process, the applicant will need to include the location of the house(s) to be built and include a market study demonstrating the need for the housing. Prior to the execution of the loan documents, IFA staff will conduct an on-site visit.

IFA recommends but does not require that the majority of the funds be limited for use by those whose incomes are at or below 80 percent of the area or statewide median income, whichever is greater. The balance of the funds must be used by persons whose incomes are at or below 115 percent of the area or statewide median income, whichever is greater. Generally IFA will allow the loan recipients to determine the amount to be funded for each unit; however, the amount per unit cannot exceed the purchase price limits set by the IFA FirstHome Program.

## **PROCESS**

The application is available on the IFA website at [www.ifahome.com](http://www.ifahome.com). Information about energy efficiency, building standards and codes, and other issues related to new construction efforts are also available on-line.

The standard terms of such loans will be as follows:

- 1) Three percent interest per year will be charged for the use of the funds. Loan recipients will be able to draw down the loan funds as needed, with the loan repayment for each house due at the end of three years or when the house sells, whichever comes first
- 2) The borrowing entity may use 5 percent of the loan amount, up to \$10,000, for administrative fees
- 3) IFA will require an assignment of the first mortgage as collateral
- 4) The entity will be required to execute a loan agreement and other necessary documents prior to the distribution of any funds
- 5) In certain limited cases IFA may permit more than one house to be funded at the same time, although generally any outstanding NewHome loan must be repaid prior to funds being advanced on a subsequent home. IFA reserves the right, however, in the exercise of its discretion, to vary any of the terms and conditions of a NewHome loan, based on the application of customary underwriting principles.

Loan reserves will not be retained by IFA from the total loan amount, but qualifying entities are encouraged to maintain reserves equal to three months of the loan payments in case of default by individual borrowers.

Loan recipients will be required to provide quarterly reporting by completing the NewHome Construction Loan Activity Status Report on the use of the funds at the loan level including but not limited to the following: 1) The number of loans and dollars spent 2) Communities served 3) Demographics of the homebuyers by income, race and ethnicity 4) Whether any member of the household purchasing the homes has a disability.

Loan recipients are expected to maintain adequate documentation and to make complete loan files available for sample compliance checks as requested by IFA.

**FOR ADDITIONAL INFORMATION ABOUT THE PROGRAM  
PLEASE CONTACT:**

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**DOCUMENTS AVAILABLE**

- ❖ NewHome Program Summary
- ❖ NewHome Program Application for Funding